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SECURITY INFORMATIONING/CI-2
Control 441192
5 February 1953ESTABLISHMENT OF PROCEDURE FOR
PROCESSING CURRENT ECONOMIC DEFENSE INTELLIGENCEPROBLEM

There have been numerous indications of the need to improve existing arrangements for processing the considerable amount of raw intelligence and incompletely-evaluated intelligence now being received regarding Soviet bloc procurement activities. The need for further processing of raw intelligence is particularly apparent in connection with the application of existing security controls. The Steering Group of EDAC has suggested that a study be made of "current intelligence required in the implementation and enforcement of economic defense measures." The ING concluded that procedures should be established to collate intelligence for the purpose of providing action agencies with the processed intelligence they require as a basis for preventive and/or remedial action. Such improved collation procedures would be equally useful in the assessment of Soviet capabilities and vulnerabilities and the determination of Soviet methods and channels for procurement of strategic goods. The Current Intelligence Subgroup accordingly submits for consideration of the ING the following recommendation.

RECOMMENDATION

It is recommended that, at the earliest possible date, the CIA designate a unit within that Agency to process current East-West trade/intelligence, in accordance with the proposals outlined under "Functions" below, for the purpose of serving through the ING the needs of the EDAC structure.

☒ East-West trade as used in this paper refers to all trade between non-Soviet countries and the Soviet bloc, including China and North Korea.

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DISCUSSION

I. Functions

The functions of the proposed unit should be as follows:

A. To examine incoming intelligence and information for indications of transactions in evasion, or possible evasion, of free world economic defense measures. 1/ This would include all pertinent Department of State and NSA cables and despatches, CIA reports, and military (G-2, ONI, Air Force, USFA, etc.) intelligence reports.

B. To provide such economic defense intelligence in a form not now available, i.e., classified according to commodity, area, and facilities involved. 2/

1/ This pertains particularly to export transactions. The Current Intelligence Subgroup recognizes that there are several other categories of intelligence in the economic defense field not considered herein which might also be adaptable to the type of processing which this paper proposes. Consideration should be given at a later date to the question of any such expansion of coverage.

2/ A reference card system should be established with each transaction recorded so as to produce duplicate cards which can be filed in (1) a commodity index, and (2) a name index with the following information shown. Cross reference cards should be placed in appropriate area files.

1. Commodity (identify in detail, including strategic rating, if available)
2. Country of: origin; claimed and actual destination
3. Transshipment point(s)
4. Date of shipment or transshipment(s)
5. Name of vessel, if shipped by sea
6. Identifying shipping markings
7. Quantity and value
8. Financing arrangements, to include:
Names of banks involved, and names and/or account numbers at such banks
Currency in which transaction carried out (U.S. dollars or others)
Dates and amounts of payments
Method (L/C's, clean payment, telegraphic transfer, check, draft, open account)
9. Names of firms and/or individuals involved in transaction
10. Source of information (document number and date)
11. Classification
12. Action agency and disposition of case (if known)

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C. To bring urgent cases to the attention of appropriate action agencies or EDAC working groups in the event that the specific case is not marked for action by a particular agency or working group.

D. To provide supporting or background information on specific cases at its own initiative or at the request of action agencies or appropriate EDAC working groups.

E. On its own initiative or at the request of action agencies or EDAC working groups, to collate and analyze intelligence on transactions in evasion, or possible evasion, of free world economic measures, showing the flow of specific commodities, the use of particular transshipment points, and techniques of procurement employed. Such data could be used by appropriate agencies as a basis for appraising the effectiveness of existing security controls and for formulating measures to eliminate illegal activities in this field.

II. Justification

Several agencies are involved in implementation of National Security Council directive 104/2, the Battle Act, the Mutual Security Act, the Export Control Act of 1949, and the Trading with the Enemy Act. Representatives of several of these action agencies have in the past directed attention to the need to establish systematic arrangements for processing particular kinds of raw intelligence. At present, several agencies process and index intelligence for specific purposes. For example, certain elements of Commerce and State engaged in licensing and enforcement operations maintain name index files. Both CIA and State at one time undertook on a limited basis to process and

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collate data on clandestine Soviet trade operations. Present arrangements in this field are not entirely adequate in some aspects. Some operating officers, for example, often find it necessary themselves to undertake to collate intelligence on particularly urgent questions on an ad hoc basis. At best, this is an unsatisfactory procedure. Frequently, because of a lack of systematic arrangements, policy must be formulated and action taken in such cases on the basis of incomplete collation and analysis of available information.

The establishment of the proposed current intelligence unit would assist action officers in locating quickly any available additional data on particular transactions for which they had action responsibility. The intelligence unit would be asked to provide pertinent document references to action officers who also could request from intelligence specialists in the unit a judgment as to the reliability of the facts in their possession. Existing procedure for collating data on commodity movements through specific areas is cumbersome, requiring formal requests through channels and the spot collection of information by intelligence agencies. Under the proposed system, current intelligence would be systematically recorded and collated on a continuing basis, simplifying the problem of providing action officers with pertinent intelligence.

The proposed unit would constitute an invaluable source of information on the movement of specific commodities, information essential to the development of sound programs and policies in the economic defense field. Through regular perusal of intelligence now being received, action officers

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often observe that a particular commodity appears to be flowing in considerable volume toward the Soviet Bloc. To develop an action program, however, either for improving application of existing controls or for proposing additional controls, an action office usually needs a sound appraisal of the extent of the flow of particular commodities, including an account of financial and other procurement mechanisms employed. Since action offices are not equipped in most cases to collate and analyze numerous scattered bits of intelligence data of this kind, the proposed intelligence unit offers a means whereby data currently being received could be employed to the maximum in support of the government's economic defense program.

III. RELATIONSHIP OF INTELLIGENCE UNIT TO EDAC STRUCTURE AND ACTION AGENCIES

The intelligence unit would be responsible to the agency in which established insofar as administrative mechanisms are concerned. Although not directly responsible to the IWG, the unit would be viewed as being particularly responsive to its needs. This is appropriate since the Terms of Reference of IWG provide under paragraph 10 (c) that the IWG shall "provide current intelligence to the EDAC in response to specific requests or on its own initiative" and under 10 (f), "arrange for the review on a continuing basis of pertinent intelligence materials . . ."

In order to expedite acquisition of relevant current intelligence (an essential feature of this type of spot intelligence work) arrangements would be made to enable action agencies, EDAC working groups and the IWG to contact directly the unit for spot intelligence or to request collation of data. Requests of a more extensive nature may be channeled through the IWG

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Secretariat. In any event, the Chief of the proposed unit would report on a monthly basis requests received for spot intelligence, collation or analysis. These reports should be forwarded to the IWG Secretariat for reproduction and distribution to IWG members, thus keeping all member agencies informed of work in progress in the intelligence unit and eliminating duplicate requests.

The work of the intelligence unit would support rather than duplicate that of the proposed EDAC action subgroup on name intelligence, which would be responsible (under current proposals before the Steering Group of EDAC) for appraising the significance of name intelligence reports, for categorizing and listing particular firms and individuals involved in transactions contrary to U.S. security interests, and recommending administrative action with respect to such firms and individuals. The intelligence unit would not be responsible for judgments concerning the security status of such firms.

This collation and analysis function would in no way interfere with the flow of intelligence to officers in the various operating agencies. Such agencies would continue to receive all intelligence material now distributed under routine collection and dissemination procedure. The proposed unit should be authorized, however, to transmit directly to the appropriate action agencies or EDAC working groups urgent intelligence requiring immediate action without utilizing formal dissemination channels. This procedure will in no way interfere with or replace regular dissemination through normal channels.

IV. OTHER CONSIDERATIONS

1. To minimize the burden of indexing, reference cards would be

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prepared only on those commodities in East-West trade found in embargo and quantitative control categories, plus such additional items as (on the judgment of the intelligence unit or requesting agencies) warranted special attention either by reason of the large quantities being traded or evidence suggesting diversion or urgency of Soviet procurement. As soon as feasible, each interested agency should be asked to submit a list of items not now included on various control lists in use by U.S. Government agencies which they believe warrant special attention.

2. It is essential that the intelligence unit be provided with relevant material produced by any member agency of INW. It is recognized that the usefulness of the proposed intelligence unit is dependent upon the speed with which this incoming material is routed to it. Once the unit is established, the INW or its Subgroup on collection requirements may wish to consider whether any improvements could be made in existing distribution arrangements, other than those suggested herein.

3. The Current Intelligence Subgroup recognizes, also, the need of action agencies receiving the maximum amount of intelligence material pertaining to their particular fields of interest. In its examination of the current intelligence problem, some concern was voiced in this regard and the belief was expressed that action agencies were not receiving needed intelligence. The Subgroup, however, considers the problem of wider dissemination of intelligence material (as distinct from the processing function considered herein) beyond its terms of reference. The problem is essentially one of improving distribution through existing channels. Under the proposed plan,

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action agencies or EDAC working groups would be free to direct inquiries for additional information relevant to their particular needs to the processing unit or the IWG itself, or to any government agency in which they believe the desired information may be obtained.

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